P/F Pension Task Force Team #3 City

Funding Issues

INTRODUCTION

Nobody can predict with certainty the future economic conditions and Police and Fire Pension issues facing Springfield over time. Therefore, we anticipate periodic reexamination of any solution selected by voters at this time. The statutory period for renewing or terminating tax issues, then, logically sets a five-year time frame. We expect that the Police and Fire Pension Fund Board will continually monitor the fund and we recognize that City Council may convene future task forces in order to deal effectively with major economic shifts.

Task Force # 3 examined possible sources of funding which might provide revenues to get the pension fund back to the required level. Each could potentially produce revenue, but for many reasons the options examined were not equally meritorious and, indeed, most were deemed not to be feasible or desirable at this time.

The recommendations of Task Force #3 follow:

FUNDING SOURCES DEEMED NOT TO BE FEASIBLE AND/OR DESIRABLE

• Issue Pension Obligation Bonds

Pros: Obligation bonds would provide significant funding in a short period of time, if approved by voters.

Cons: It is a complicated process; it would only increase city indebtedness which would have to repaid in the future. Bonds would be helpful only if the city could ensure that the interest earned on the investment of the funds from the bonds over a long period of time would exceed the interest cost of the bonds themselves.

• Commit any/all future telecom lawsuit settlements

Pros: The lawsuits have the potential of producing significant funds. *Cons:* That litigation may go on for a long time. It is questionable whether the current City Council has legal authority to make such commitments for future city councils. Even if the current City Council has such authority, it is felt that such future decisions should be made by the council and city manager in office at the time.

City Utilities sale/reorganization/PILOT/ etc.

Pros: The properties and operations of City Utilities are of immense financial value. CU is a potential source of large sums of money. *Cons:* There are many legal obstacles in the way of converting any CU assets into the pension fund. Public objection to any attempt to make such a conversion is expected to be large.

Convert Capital Improvement (CIP) Tax to a pension fund tax

Pros: The quarter cent CIP tax would make a significant contribution to the pension fund deficit.

Cons: The CIP tax, and the improvements it has enabled, has been very popular with the voters of Springfield. It should continue on its own merits, and not be tied to the pension problem.

Increase the various fees charged by the city and use the increase for the pension fund

Pros: Although a relatively small amount compared to the pension deficit, such an approach would broaden the base of the solution.

Cons: Those fees are charged for a specific reason and the income used to defray certain costs. Every separate fee that was increased would create another constituency opposed to whatever else might be recommended to resolve he pension deficit.

Seek donations from churches, businesses, and individuals

Pros: Again, every small amount of money would help. This approach might encourage a sense of community participation and involvement. *Cons:* Providing for public safety is a basic responsibility of city government. It should not be converted into a responsibility of the private sector.

FUNDING SOURCES DEEMED TO BE FEASIBLE, AND RECOMMENDED

• Sale of available city assets (unused properties, etc.)

Pros: It would be a good thing to clean up city inventory, if there are such properties. City administrators are currently investigating this matter. *Cons:* It appears that this source would produce relatively minor support for the pension fund.

(From here on, the recommendations of Team #3 regarding sales tax increase should be added, as presented to the June 24 meeting of the Task Force.)